

Congressman Kevin Brady
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Subcommittee on Western Hemisphere
House International Relations Committee
Hearing, "U.S. Trade Agreements with Latin America

Mr. Chairman, Mr. Ranking Member, members of the Subcommittee, I want to thank you for having this important hearing on the Latin America trade agenda

As a member of the Ways and Means Committee, which has jurisdiction over our trade agreements, I strongly support President Bush and former USTR Zoellick on their strategy for achieving trade agreements in our hemisphere. Through bilateral and regional multilateral agreements, we strengthen our neighbors to the south and help move towards the bigger prize, the Free Trade Area of the Americas.

While I strongly support the U.S.-Andean Free Trade Agreement and the U.S.-Panama Free Trade Agreement, they are still being negotiated so I want to focus my testimony on the U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR). As you know, our government signed this agreement with five of our Central American and the Dominican Republic.

I'm pleased that in the coming months, Congress will vote on CAFTA. In fact, next week we will begin moving CAFTA through the legislative process when the Ways and Means Committee holds its hearing on the agreement.

CAFTA deserves bipartisan support in Congress. It will create jobs by lowering tariff barriers and increasing market access for U.S. goods and services to growing markets in our hemisphere. However, this agreement means more than increased economic opportunity – it is a statement whether the United States will continue to be a partner in encouraging economic growth and the spread of democracy in the Western Hemisphere.

Mr. Chairman, I'm sure you and other members of the International Relations Committee will remember that during the 1970's and 1980's our neighbors in Central America experienced a period of violent political and economic instability. Dealing with Central America was our nation's number one foreign policy issue at the time.

In 1983 the United States took a leadership role in promoting peace and democracy by unilaterally opening our market to imports from the region through

the Caribbean Basin Initiative (CBI). As a result of unwavering support from Republicans and Democrats, CBI created economic growth that stabilized the domestic political conditions in the region.

CAFTA is the next step in this partnership and is a true win-win. It will level the playing field for U.S. farmers, business and workers, increasing access to the second largest market in Latin America. Currently, over 75 percent of exports from the CAFTA countries enter the U.S. duty free, while U.S. exports to the region face high tariffs and other barriers to entry. CAFTA-DR will bring this trade relationship into balance by immediately eliminating tariffs on 80 percent of U.S. consumer and industrial exports and on more than half of U.S. agricultural exports. As someone who represents a part of Texas that is a heavily dependent on international trade and open markets, I can tell you that this agreement is key for building a strong economy and creating jobs.

For the CAFTA countries, it will update CBI, giving the region the tools to compete in the global economy and lock in the political and economic reforms of the past decade, ensuring long-term progress in the region.

As a result of the CAFTA negotiations, the governments have developed new labor laws, which the International Labor Organization deemed to be compliant with international core labor standards, and have passed more ILO Labor Conventions than the United States. The countries have also demonstrated an unprecedented commitment to working with the U.S. government and organizations such as the Inter-American Development Bank to identify ways to improve the capacity to enforce those laws. These steps, when combined with the labor chapter of CAFTA that goes beyond what was included in past trade agreements, will ultimately improve working conditions in the region.

As CBI helped encourage political stability and encourage domestic reforms, it has also given the CAFTA countries the tools to diversify their economies and become globally competitive in manufacturing and textile production.

Also important, the regional textile industry relies heavily on yarn and fabric exports from the U.S., supporting jobs in both regions. For example, a t-shirt that says "made in Honduras" probably has 60%-90% U.S. content, but a t-shirt that says "made in China" has less than 10% U.S. content.

Without CAFTA, these jobs will evaporate. With global textile quotas expiring at the beginning of this year, the region's producers are facing stiff challenges from Asia and many companies are contemplating moving production out of the region to parts of the world that do not rely on U.S. imports. Considering that 80 percent of the content in Central American apparel imports originates in the United

States and imports from Asia containing as little as one percent of U.S. content, a shift in production out of Central America would deal a fatal blow to workers and business in the United States and the CAFTA countries. The passage of CAFTA will prevent this outcome by deepening the economic integration and creating a textile sector that can compete in today's global economy.

For more than 20 years Republicans and Democrats have joined together to make the United States a partner in the economic and political development of the Central America and the Caribbean countries. In the past this partnership was vital in replacing civil wars and dictatorships with stable democracies and increased economic opportunities.

The choice is clear – failing to pass CAFTA could erase the progress of the past decades and send a message that the United States is no longer interested in advancing economic opportunity and democracy in the Hemisphere. Without question, Congress has an obligation to pass CAFTA and continue to play a leadership role in the development of the region.